



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE
March 9, 2010

Joan McDonald
Commissioner, Department of Economic and Community Development,
Chair of Connecticut Innovations

***HB 5435 ACT CONCERNING THE RECOMMENDATIONS OF THE MAJORITY
LEADERS' JOBS GROWTH ROUNDTABLE INCORPORATED***

As Commissioner of the Department of Economic and Community Development and Chair of Connecticut Innovations, I offer the following comments concerning certain sections of HB 5435. The mission of DECD and CI has always been to advance public policy and programs that support an entrepreneurial climate and make Connecticut a place where businesses want to locate and entrepreneurs want to start ventures. Connecticut is already on the map when it comes to supporting entrepreneurs – twenty years ago it created Connecticut Innovations to provide much needed capital to technology entrepreneurs. CI is now nationally recognized, a best practice in technology-based economic development.

Regarding sections 1 through 3 we offer conditional support regarding the provisions concerning the Pre-Seed Development fund and Angel Investment Tax Credits. As you may be aware both of these initiatives were part of the recommendations presented in the Talent and Technology section of DECD's Economic Strategic Plan. Although the state's budget outlook does not allow us to provide such funding and credits now, they may be a viable option in future years.

CI's pre-seed support service program offers a broad range of support services, mentoring, funding for business assistance, incubator space and access to our network of strategic partners, business advisors and venture investors. To date, 17 companies have benefitted from the pre-seed support services program and CI is working with 2 universities, the University of Hartford and UCONN, on various projects that promote commercialization and support student entrepreneurs launch their ideas into companies. Through this program, CI launched C-Tech, a technology business incubator in New Haven that has been filled to capacity since launch.

I mention all of these activities to demonstrate to you that CI is fully engaged in the pre-seed sector. Because of this, we do not support the provision that would require CI to

contract with another organization to operate the pre-seed program called for in Section 1.

Section 4 of the bill adds a member of an angel investor group to CI's Board of Directors. We do not believe that provision is necessary as CI currently has two angel investors on its board.

With regard to section 6 of the bill, while we support the concept of marketing Connecticut as a state which supports innovation, we believe the state is better served by a broader economic development marketing effort that would encompass all aspects of economic development. This concept was also a recommendation in DECD's Economic Strategic Plan, in the Cultivate Competitiveness section.

DECD's Office of International and Domestic Affairs is committed to assisting companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. Concerning section 9, I would offer that DECD already has a great partnership with the U.S. Department of Commerce, one that we will continue to strengthen in the months and years to come.

Regarding the provisions of Section 11, DECD and CI strongly oppose the provision being added to the jobs creation tax credit program that requires companies provide health care benefits to their workers as a prerequisite to accessing the credits. By restricting eligibility in this fashion the effectiveness of the credits will be greatly diminished and ultimately mean fewer jobs being created in Connecticut. We would strongly urge the committee to consider using the bill proposed by Governor Rell, **SB 23 AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB CREATION TAX CREDIT** which is a viable model for improving this program and stimulating job growth.

Finally, we would **oppose** the repeal of several business tax credits contained in Section 15 of this bill, especially the tax credit for expenditures for grants to institutions of higher education for research and development related to technological advancements. We believe this tax credit in particular fosters deeper connections with institutes of higher learning which are essential to sustaining and expanding the innovation and knowledge economy. Absent a study on the viability of these tax credits and the impact to the state, we believe this to be premature as it may diminish the tools available to retain, attract and grow businesses here in the state as well as foster innovation.

Thank you for your consideration of these comments.